

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	) Chapter 11
	)
CELSIUS NETWORK LLC, <i>et al.</i> <sup>1</sup>	) Case No. 22-10964 (MG)
	)
Post-Effective Date Debtors.	) (Jointly Administered)
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**STATUS REPORT REGARDING LITIGATIONS AGAINST FORMER EXECUTIVES  
AND EMPLOYEES OF THE DEBTORS**

Mohsin Y. Meghji, as Litigation Administrator (the “**Litigation Administrator**”) for Celsius Network LLC and its affiliated Post-Effective Date Debtors (the “**Debtors**”), by and through his undersigned counsel, submits this status report regarding the following adversary proceedings against former executives and employees of the Debtors:

- *Meghji v. Mashinsky et. al.*, Adv. Proc. No. 24-03667
- *Meghji v. Atar*, Adv. Proc. No. 24-03738
- *Meghji v. O’Brien*, Adv. Proc. No. 24-03739
- *Meghji v. Yarwood*, Adv. Proc. No. 24-03740
- *Meghji v. Peter*, Adv. Proc. No. 24-03741
- *Meghji v. Noy*, Adv. Proc. No. 24-03976

**BACKGROUND**

1. On July 10, 2024, the Litigation Administrator filed an adversary complaint against Alexander Mashinsky, Shlomi Daniel Leon, Hanoch Goldstein, Roni Cohen-Pavon, Harumi Urata-Thompson, Jeremie Beaudry, Johannes Treutler, Kristine Meehan Mashinsky, Aliza

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<sup>1</sup> The Post-Effective Date Debtors (the “**Debtors**”) in these chapter 11 cases (the “**Chapter 11 Cases**”), along with the last four digits of each Post-Effective Date Debtor’s federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 Ltd. (1209); GK8 UK Limited (0893); and GK8 USA LLC (9450). The location of Debtor Celsius Network LLC’s principal place of business and the Debtors’ service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

Landes, AM Ventures Holdings Inc., Koala1 LLC, Koala2 LLC, Koala3 LLC, Alchemy Capital Partners, LP, Bits of Sunshine LLC, and Four Thirteen LLC, each of which is a former director, officer, employee, and/or other insider of the Debtors [Dkt. No. 7174; Former Executive Adv. Proc. Dkt. No. 1]<sup>2</sup> (the “**Former Executive Complaint**”). The Former Executive Complaint seeks, *inter alia*, (1) avoidance and recovery of fraudulent and preferential transfers; (2) damages for breaches of fiduciary duties, fraudulent misrepresentation, violations of state consumer fraud statutes, and breaches of contract; and (3) equitable subordination of the defendants’ claims against the Debtors’ estates.

2. The Litigation Administrator also commenced litigation against five former executives and employees of Celsius Network LLC seeking the avoidance and recovery of fraudulent transfers in connection with sales of CEL token back to the Debtors through the “over the counter” desk (the “**OTC Desk**”), certain bonus payments received based on the CEL token reaching price thresholds, and withdrawals during the preference period. These suits are referred to herein as the “**Former Employee Lawsuits**.”<sup>3</sup>

3. The Litigation Administrator has entered into tolling agreements with other former executives and employees of Celsius with respect to claims against those individuals, which it is seeking to resolve in a consensual manner before proceeding with litigation.

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<sup>2</sup> “Dkt. No.” refers to the docket of *In re Celsius Network LLC, et al.*, Case No. 22-10964 (MG) (Bankr. S.D.N.Y., filed July 13, 2022). “Former Executive Adv. Proc. Dkt. No.” refers to the docket of the adversary proceeding *Meghji v. Mashinsky et. al.*, Adv. Proc. No. 24-03667 (Bankr. S.D.N.Y., filed July 10, 2024).

<sup>3</sup> The “**Former Employee Lawsuits**” are (1) *Meghji v. Atar*, Adv. Proc. No. 24-03738 (Bankr. S.D.N.Y., filed July 11, 2024); (2) *Meghji v. O’Brien*, Adv. Proc. No. 24-03739 (Bankr. S.D.N.Y., filed July 12, 2024); (3) *Meghji v. Yarwood*, Adv. Proc. No. 24-03740 (Bankr. S.D.N.Y., filed July 12, 2024); (4) *Meghji v. Peter*, Adv. Proc. No. 24-03741 (Bankr. S.D.N.Y., filed July 12, 2024); and (5) *Meghji v. Noy*, Adv. Proc. No. 24-03976 (Bankr. S.D.N.Y., filed July 12, 2024).

**UPDATE REGARDING SERVICE**

4. On July 25, 2024, the Litigation Administrator completed service of the Former Executive Complaint on all defendants located and domiciled in the United States; specifically, (1) Alexander Mashinsky, (2) Kristine Meehan, (3) Hanoch Goldstein, (4) Jeremie Beaudry, (5) Harumi Urata-Thompson, (6) AM Ventures Holdings Inc., (7) Koala1 LLC, (8) Koala2 LLC, (9) Koala3 LLC, (10) Alchemy Capital Partners, LP, (11) Bits of Sunshine LLC, and (12) Four Thirteen LLC. The Litigation Administrator completed such service by sending two copies of the Former Executive Complaint and corresponding summons to each U.S. defendant, one via certified mail and one via first class mail. A certificate of service evidencing the foregoing is filed as Docket No. 5 in Adversary Proceeding No. 24-03667 (the “**Former Executive Lawsuit**”).

5. On August 1, 2024, the Litigation Administrator attempted service of the Former Executive Complaint at an address verified by a third-party service as belonging to Shlomi Daniel Leon, via certified and first class mail. Both packages were returned, and based on the return message, it appears that Mr. Leon no longer resides at this address.

6. On August 2, 2024, the Litigation Administrator mailed service packages to Israel’s Central Authority pursuant to the *Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters* (the “**Hague Service Convention**”) for service on Former Executive Complaint defendants Shlomi Daniel Leon, Aliza Landes, and Roni Cohen-Pavon, who are believed to be located in Israel. In accordance with the Hague Service Convention, the Central Authority is expected to coordinate service of the Former Executive Complaint on these defendants in the coming months and will provide a certificate of service when service is completed. As a result of the current conflict in Israel, the Litigation Administrator has been informed that service is expected to take longer than is typical.

7. On August 5, 2024, the Litigation Administrator coordinated hand delivery of a service package to Germany's Central Authority pursuant to the Hague Service Convention for service on Former Executive Complaint defendant Johannes Treutler, who is believed to be located in Berlin, Germany. In accordance with the Hague Service Convention, the Central Authority is expected to coordinate service of the Former Executive Complaint on Mr. Treutler in the coming months and will provide a certificate of service when service is completed.

8. On July 25, 2024, the Litigation Administrator completed service of the Yarwood Complaint on Darren Yarwood via certified and first class mail. A certificate of service evidencing the foregoing is filed as Adversary Docket No. 4 in Adversary Proceeding No. 24-03740.

9. On August 6, 2024, the Litigation Administrator mailed service packages to Israel's Central Authority pursuant to the Hague Service Convention for service on Nir Atar, Ashley O'Brien, Shahar Peter, and Yarden Noy, each defendants in the Former Employee Lawsuits who are believed to be located in Israel. In accordance with the Hague Service Convention, the Central Authority is expected to coordinate service of the complaints in the Former Employee Lawsuits on the applicable defendants in the coming months and will provide a certificate of service when service is completed.

#### **UPDATE REGARDING THE STAY OF PROCEEDINGS**

10. The Former Executive Complaint is currently stayed by the *Joint Stipulation and Agreed Order Between the Debtors, the Official Committee of Unsecured Creditors and the United States Attorney's Office for the Southern District of New York With Respect to Agreement to Stay the Proceedings With Respect to Equitably Subordinated Claims* [Dkt. No. 3450] entered by this Court on September 12, 2023. *See Notice of Stay* [Former Executive Adv. Proc. Dkt. No. 2]. That stay expires on September 12, 2024.

11. After the stay was entered by the Court, Mr. Mashinsky's trial was adjourned from September 17, 2024 to January 28, 2025. *See* Order of Feb. 20, 2024, *United States v. Mashinsky*, No. 23-cr-347 (S.D.N.Y.).

12. Following the filing of the Former Executive Complaint, the United States Attorney's Office for the Southern District of New York (the "**SDNY**") requested that the Litigation Administrator agree to a further stay of the Former Executive Complaint given the delayed start date of the criminal trial. The SDNY also requested that the stay be extended to cover the Former Employee Lawsuits, which also concern some of the same subject matter as Mr. Mashinsky's indictment.

13. The Litigation Administrator did not object to a further stay and circulated a draft of a proposed stipulation extending the stay to all known counsel for the defendants named in the Former Executive Complaint and counsel for Mr. Yarwood on August 20, 2024.

14. Counsel to the following parties informed counsel to the Litigation Administrator that they did not object to the entry of the stay: (1) Mr. Mashinsky, (2) Mr. Beaudry, (3) Mr. Goldstein, (4) Ms. Urata-Thompson, (5) Ms. Meehan, (6) Koala1 LLC, (7) Koala2 LLC, (8) Koala3 LLC, (9) Four Thirteen LLC, (10) Bits of Sunshine LLC, and (11) AM Ventures Holdings Inc..

15. The Litigation Administrator did not receive responses from counsel to: (1) Mr. Leon, (2) Ms. Landes, (3) Mr. Treutler, (4) Mr. Cohen-Pavon, or (5) Alchemy Capital Partners, LP.

16. Mr. Yarwood has agreed to the stay and a proposed stipulation will be filed in his adversary proceeding shortly.

17. The Litigation Administrator is unaware whether the other defendants who have

not been served in the Former Employee Lawsuits have retained counsel and has not provided those defendants with a stipulation regarding the stay. It will confer with counsel for those defendants regarding the stay when it learns the identity of such counsel.

### **UPDATE ON RELATED ACTIONS**

18. As the Court is likely aware, there are a number of related civil actions against Celsius and its former executives pending in various courts that contain allegations that overlap in certain respects with the Former Executive Complaint and the indictment against Mr. Mashinsky.

Below is a summary of the status of those actions based on the docket in each matter:

- The class action complaint filed by Taylor Goines against Celsius Network LLC, Mr. Mashinsky, Mr. Leon, David Barse, and Alan Carr has been stayed pending resolution of the criminal proceedings against Mr. Mashinsky. *Goines v. Celsius Network, LCC*, No. 22-cv-04560 (D.N.J. Jul. 13, 2022), Dkt. No. 98. The defendants were instructed to file a status update by May 21, 2024 concerning the status of the criminal proceedings, which the defendants did not do.
- On September 20, 2023, the New York Attorney General's civil action against Mr. Mashinsky was stayed until the resolution of the criminal case against him. *People v. Mashinsky*, 450040/2023, Dkt. No. 31. Prior to the stay, Mr. Mashinsky's motion to dismiss was denied. *People v. Mashinsky*, 450040/2023, 2023 N.Y. Misc. LEXIS 3976 (N.Y. Sup. Ct. Aug. 4, 2023).
- The Securities and Exchange Commission's ("SEC") action against Celsius Network LLC and Alexander Mashinsky was stayed on September 20, 2023 until the completion of Mr. Mashinsky's criminal case. *SEC v. Celsius Network Ltd.*, No. 23-cv-06005 (S.D.N.Y. Jul. 13, 2023), Dkt. No. 16. The SEC filed a status report on April 22, 2024, informing the Court that the criminal case remains pending and is scheduled for trial on January 28, 2025, and that no action in the case is required. *Id.*, Dkt. No. 20. The Court noted on the docket that the parties should file a joint letter following a disposition of the criminal case. *Id.*, Dkt. No. 21.
- The Commodity Futures Trading Commission's action against Celsius Network LLC and Alexander Mashinsky was stayed on September 19, 2023, until the completion of the criminal proceedings against Alexander Mashinsky. *CFTC v. Celsius Network Ltd.*, No. 23-cv-06008 (S.D.N.Y. Jul. 13, 2023), Dkt. No. 15.
- Discovery in the Federal Trade Commission's action against Celsius Network LLC, Mr. Mashinsky, Mr. Leon, and Mr. Goldstein was stayed on January 5, 2024 through November 1, 2024. *FTC v. Celsius Network Inc.*, No. 23-cv-06009 (S.D.N.Y. Jul. 13, 2023), Dkt. No. 72. Prior to the stay, Mr. Mashinsky, Mr. Leon, and Mr.

Goldstein's motions to dismiss were denied. *Id.* Dkt. No. 63.

**CONCLUSION**

19. The Litigation Administrator thanks the Court for its attention to these matters.

Dated: August 26, 2024  
New York, New York

Respectfully submitted,

*/s/ Aaron Colodny*

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